



FISCAL YEAR ENDING MARCH 31, 2018

The purpose of this Management Discussion and Analysis (“MD&A”) is to provide the reader with a written explanation of Six Nations of the Grand River Development Corporation’s (“SNGRDC”) financial performance as assessed through the eyes of Senior Management. Although this disclosure is not required by any corporate charter or by-law, the Board of Directors and Management feel that sharing this level of detail is an important undertaking to demonstrate commitment to our Guiding Principles, specifically: Openness & Accountability – defined as Transparency and being answerable to one’s words and actions/inactions to build a foundation of trust.

This document is segmented into three sections: (1) Factors of Significance, (2) General Commentary, and (3) Economic Interest - Status Reports.

Embedded within the document are frequent references as follows:

- *The corporation’s sole shareholder is the Six Nations Elected Council (“SNEC”);*
- *CFS refers to ‘Consolidated Financial Statements for the year ending March 31, 2018’; and*
- *There are also several excerpts and cross references to the Consolidated Financial Statements audited by KPMG LLP. It should be noted, ‘current year’ refers to 2017/18 fiscal year (April 1, 2017 to March 31, 2018) and ‘future year’ means 2018/19 fiscal year (April 1, 2018 to March 31, 2019).*
- *This document is most effective when reviewed alongside the 2017 / 2018 CFS.*

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1) FACTORS OF SIGNIFICANCE

The following factors have been identified by Management as matters of significance that are not immediately evident in the Consolidated Financial Statements (CFS):

A) ACCOUNTING FRAMEWORK (NPO, PART III)

SNGRDC was launched as a community development corporation to generate wealth for the express purpose of investing in the current and future needs of the Six Nations of the Grand River Community. SNGRDC's corporate architecture (see Fig. 1, pg. 19) illustrates how Cash Distributions occur utilizing a Master Trust entity to flow funds to the Six Nations of the Grand River Economic Development Trust (EDT). The EDT's Board of Trustees invests these funds in community projects that qualify under the Trust Distribution guidelines.

Typically, 'for-profit' corporations are focused on increasing shareholder value, whereas not-for-profit (NPO) entities focus on creating value for a specific mission or cause. When viewed holistically, the efforts of the SNGRDC Group are NPO orientated as economic returns flow to the community as a beneficiary and not directly to the shareholder. Given this orientation, Management, with the assistance of KPMG, have determined that NPO (Part III) accounting framework was most appropriate for SNGRDC (refer to the CFS pg. 5 for further discussion re: accounting policies).

B) DISTINCT REVENUE STREAMS/ HOLDINGS

SNGRDC engages in three (3) distinct streams of revenue generation. These streams are identified as Nation Enterprises, Economic Interests, and Trust entities.

i) Nation Enterprises

Nation Enterprises include economic development activity and operations taking place on Six Nations Reserve No. 40 lands. Nation Enterprises are generally un-incorporated entities managed by SNGRDC on behalf of the community. These operations require no special tax planning as the income generated is exempt by virtue of being conducted on-reserve (example: Six Nations Bingo).

ii) Economic Interests

These activities reflect investments made in developments/activities taking place outside of Six Nations Reserve lands (example: Grand Renewable Energy Park). Investment in Economic Interests is motivated by an attractive return on investment and typically involves investing in development opportunities for projects being developed on lands where Six Nations has an unresolved or asserted land interest. Generally, the determining factors of how assets are held within SNGRDC is based on the geographic location of the project, the type of business activity, and the treatment of the asset as prescribed within the Income Tax Act.

iii) Trust Entities

These holdings are held as subsidiaries of the Master Trust and are held in individual sub-trusts which serve as flow through vehicles to provide insulation from corporate tax. The income is exempt from corporate tax as the funds ultimately flow directly to the beneficiary (the Six Nations Community). Examples of these holdings include the receipt of royalty payments as described within previously negotiated Community Benefit Agreements (example: Capital Power and Dufferin Wind).

C) TAX MITIGATION STRATEGY

When SNGRDC was formally launched, the basic tenet of our tax planning was that SNGRDC was a Band empowered entity performing a function of government – this function being Economic Development.

The following considerations reinforce our position:

i) Master Trust

SNGRDC utilizes a Master Trust vehicle to hold and manage community interests in Community Benefit Agreements (CBAs). The Master Trust is organized as an entity within the governance umbrella to ensure all holdings and interests are managed transparently, comply with CBA's, and align with our overall tax strategy. Ultimately, community benefit proceeds are transferred from the Master Trust to the Six Nations of the Grand River Economic Development Trust (EDT) annually for the use and benefit of the community (where the collective Six Nations community is the ultimate Beneficiary).

ii) Tax Planning

In 2014, in anticipation of the launch of SNGRDC, our tax advisors made an application to Canada Revenue Agency (CRA) seeking an advanced ruling on the tax-exempt nature of the activities and structure organized under our corporate umbrella. In support of our application, our tax lawyer Howard Morry of Pitblado LLP, provided SNGRDC with twelve (12) separate legal opinions supporting our asserted exemption from applicable taxes.

On July 27, 2016, CRA issued bulletin [2016-064503117](#), which clarifies that First Nation development corporations, structured like SNGRDC, no longer need to secure an advanced tax ruling as they are deemed to be a public body performing a function of government. This bulletin was verified by and between our tax lawyer and the Income Tax Directorate of CRA on November 21, 2016.

Management is satisfied that our tax planning strategy is sound – this position is supported by the independent vetting conducted by our audit firm (KPMG LLP), who have concluded that SNGRDC is 'more likely than not' exempt based on the merits of our structure. As a result, SNGRDC is no longer pursuing a CRA tax ruling.

D) FINANCIAL REPORTING ANOMALIES

The following are anomalies that are non-recurring in nature:

i) Reclassification of Economic Interest project (FWRN LP)

Effective April 1, 2017, the investment in “FWRN LP – 50% limited partner” was reclassified using the cost method (refer to CFS, Note 1(f), pg. 7). This modification had no effect on the comparative year over year value of the asset and was deemed appropriate as SNGRDC does not possess material control over the day to day operations of FWRN LP. As a result of the reclassification the investment is now reported using the cost method, as depicted in CFS, Note 4, pg. 10:

	2018	2017
The following investments are carried at cost:		
Grand Renewable Wind LP – 10% limited partner	\$ 6,799,000	\$ 6,799,000
Grand Renewable Solar LP – 10% limited partner	2,874,160	2,874,160
Gunn’s Hill LP – 10% limited partner	1,835,625	1,835,625
Nanticoke Solar LP – 10% limited partner	240,025	240,025
FWRN LP – 50% limited partner	30,379,235	30,379,235
	42,128,045	42,128,045
The following joint ventures are accounted for using the equity method:		
Corporation of the County of Brant; Six Nations of the Grand River Joint Venture; 2325705 Ontario Inc. Joint Venture (“BGI Joint Venture”) – 15% venture interest	146,250	146,250
Corporation of the County of Brant and Six Nations of the Grand River Joint Venture (“OBP Joint Venture”) – 90% venture interest	1,682,294	1,682,294
Six Nations Aecon Joint Venture – 51% venture interest	520,222	309,592
	2,348,766	2,138,136
	\$ 44,476,811	\$ 44,266,181

ii) Economic Interest earnings attributable to non-operational matters

As reported last year, \$9,701,112 was reported as ‘Distributions received from investments carried at cost’ – however, \$4,900,000 of this amount was attributed to a one-time Equity Distribution triggered by the re-financing of the Grand Renewable Solar (GRS) Senior Debt facility. As a result, the year ending 2017 contains an anomaly that distorts the yearly comparatives.

	2018	2017
Distributions received from investments carried at cost	\$ 4,766,385	\$ 9,701,112
Equity pick up of joint ventures accounted for using the equity method	452,266	488,441
	\$ 5,218,651	\$ 10,189,553

When 2017 is normalized, the Distribution earnings are: \$5,289,553 (\$10,189,553 less \$4,900,000 anomaly) which is flat vs \$5,218,651 (2018).

iii) Master trust earnings comparative

As reported last year, \$2,371,398 was reported as ‘Master Trust income’ – however \$1,099,480 of this amount was attributed to the receipt of funds owed to prior years as summarized in the 2017 MD&A.

As a result, the year ending 2017 Master Trust income contains an anomaly that distorts the yearly comparatives. When 2017 is normalized, the Trust earnings are: \$1,271,918 (\$2,371,398 less \$1,099,480 anomaly) which reflects 11.2% year over year growth for 2018 (\$1,414,389).

E) ASSET REPORTING/VALUATION

The tangible capital assets (land and buildings) hosting our Nation Enterprises are assets that are held by, and reported on, Six Nations Elected Council's (SNEC) balance sheet as they are on-reserve property held by the Band for the community. Therefore, SNGRDC reports no value for these assets (Example: Oneida Business Park).

All other assets are valued using Not-for-profit accounting framework (refer to 1a above) where the value is reported at cost. Typically, the cost method applies when an ownership interest is below 25% or the investment is made into a limited partnership structure where SNGRDC has limited influence/ control of the operation. The Asset value for 2017/18 have remained unchanged with the only change being the reclassification of FRWN LP from the equity method to the cost method (refer to CFS, Note 4, pg. 10).

As previously reported, SNGRDC believes the fair value of assets are considerably higher when assessed using Fair Market Valuation (FMV) - where FMV is based on an investment's ability to produce cash flow for the investor. To gain insight into the FMV of assets, SNGRDC retained a reputable and independent third-party firm to conduct a Valuation of Assets under Canadian Institute Chartered Business Valuators - Standard No. 110 methodology.

Although the report is restricted and not available for public disclosure, the summary of findings are as follows:

Six Nations of the Grand River Development Corporation Summary As at March 31, 2017 in Canadian '000's

	TEV	Net Debt	Equity	Six Nations' %	FMV to Six Nations		
					20 years	25 Years	30 Years
Nanticoke Solar	22,812	-	22,812	10%	1,169	1,199	1,309
Gunn's Hill Wind Farm	67,965	39,841	28,124	10%	3,290	3,320	3,378
Grand Renewable Energy - Wind	526,479	342,754	183,725	10%	17,394	18,372	19,564
Grand Renewable Energy - Solar	771,977	582,243	189,734	10%	18,840	18,973	19,064
Niagara Region Wind Farm	851,683	782,286	69,397	50%	10,384	12,964	15,964
					51,077	54,829	59,280
					Low	Mid	High
SNGR Utilities LP	3,500	(70)	3,570	51%	1,438	1,693	1,948
SNGR Benefit Trust - Capital Power	-	na	na	na	3,912	4,206	4,533
SNGR Benefit Trust - Dufferin Wind Farm	-	na	na	na	2,355	2,446	2,544
SNGR Benefit Trust - Port Ryerse Wind Farm	-	na	na	na	96	101	105
BGI Solar	1,486	-	1,486	15%	213	223	234
Oneida Business Park	3,027	-	3,027	90%	2,132	2,278	2,433
Haldimand Land - NextEra Energy Project	-	na	na	na	4,956	5,141	5,336
Haldimand Land - Assignment of land lease payment	-	na	na	na	6,164	6,454	6,767
Total	2,248,929	1,747,054	501,875		72,343	77,371	83,179

Note: The above TEVs and implied multiples in this table are based on the mid-point of the value range.

The Total Enterprise Value (TEV) of assets that we participate in is \$2.25 billion, wherein SNGRDC holds 10% – 90% equity ownership interest; this translates into FMV varying between \$72.3 million (at 20 years) and \$83.2 Million (at 30 years).

SNGRDC Management believes the valuation of certain assets, specifically the Niagara Region Wind Farm (FWRN LP) where the 20-year FMV is estimated at \$10,384,000 [versus the cost method valuation of \$30,379,235] is currently below our longer-term expectations as a result of a variety of operational issues. The deviation in value was not a result of any miscalculation in energy production, rather was the result of first year technical and operational hurdles (all of which are now corrected). The issues were:

- i. Special Protection Scheme – agreement with Hydro One resulted in a curtailment (revenue loss) of \$8M due to Hydro One infrastructure upgrades;*
- ii. Farm Control Unit – system settings mistakenly responded to grid supply conditions triggering unwarranted curtailment of \$2.5M in energy;*
- iii. Operational issues – improper commissioning triggered maintenance issues resulting in approximately \$3M in opportunity cost; and*
- iv. Foregone Energy – turbine settings were not compliant with Ontario market rules causing an inability to claim \$1.5M in foregone energy*

SNGRDC has been assured by the General Partner that all matters have been corrected and SNGRDC management is actively monitoring performance to ensure this is the case. Within the next 12 months management will obtain an updated FMV of FWRN LP and report accordingly.

F) TRANSFER TO SIX NATIONS OF GRAND RIVER ECONOMIC DEVELOPMENT TRUST (EDT)

In 2017/18 SNGRDC commenced a process of providing the Six Nations of the Grand River Economic Development Trust (EDT) with a single commitment of surplus profit determined in the year-end audit of both SNGRDC and associated trust entities. The new process was implemented to simplify financial reporting moving forward as all trusts operate on a December 31st calendar year-end whereas all other entities utilize a March 31st fiscal year-end.

The total for Distribution to EDT for fiscal year ending 2017/18 is \$3,067,088 (refer to CFS, Pg.2). This amount is composed of \$1,385,069 from the Master Trust and \$1,682,019 from the Development Corporation consolidated earnings (refer to CFS, Note 14, pg. 15).

It is important to note that \$817,980 was paid out to the EDT from the Master Trust earnings payable on December 31, 2017. Further, an additional \$567,089 was earned by the Master Trust during the period of January 1, 2018 to March 31, 2018. These funds will be paid to the EDT before December 31, 2018 pursuant to following narrative (refer to CFS, Note 14, pg.16):

Trusts contained within the Organization have a calendar year end. These financial statements contain the results of operations for the year ended March 31, 2018 and as such recognized distributions available at December 31, 2017 and the additional 3 month period ended March 31, 2018. The amount owing to Six Nations of the Grand River Economic Development Trust from the Trusts at March 31, 2018 totaling \$567,089 will be paid by December 31, 2018. Total distributions due to Six Nations of the Grand River Economic Development Trust at March 31, 2018 was \$2,249,108 (2017 – \$1,720,521).

Additionally, the EDT will also receive all Master Trust Earnings that amount between April 1, 2018 to December 31, 2018. This will complete the process of maintaining a single distribution from both the Master Trust and SNGRDC based on their respective year-end.

At current, the EDT is now able to invest \$2,500,000 (\$3,067,088, less \$567,089) through a call for applications and allocate trust property prior to the EDT December 31st year-end. Once funds are allocated, all approved community investments will then flow to recipients at the onset of the new calendar year (after January 1, 2019).

Please note the EDT process is overseen by an independent Board of Trustees tasked with screening and assessing applications to determine where funds will be invested in the community. The Advisory Committee and Board of Trustees review the Community Needs and Priorities annually and develop scoring logic to ensure funding commitments are aligned with the long term needs of the Community. SNGRDC Management and the Board of Directors have no influence over the Trusts decision making process.

G) SIX NATIONS ELECTED COUNCIL (“SNEC”) – SOLE SHAREHOLDER

SNGRDC is a federal corporation originally created by Six Nations Elected Council (SNEC) on October 22, 2013 and organized on November 18, 2013. The development process required for this undertaking was substantial – including broad research and expert advice (i.e. Harvard Project – American Indian Economic Development), diverse community engagement (We Gathered Our Voices), 19 think tank sessions and over 30 SNEC resolutions. On May 28, 2015, SNEC ratified the separation on SNGRDC.

As discussed in Section 1c, SNGRDC is a Band empowered entity performing a function of government. The corporation’s single shareholder is SNEC, where SNEC is a “Band” within the meaning of the Indian Act and is therefore legally recognized as public body empowered to create a community-owned corporation.

Although SNEC is the only shareholder, the governance of SNGRDC was designed to be apolitical in nature where business operations are carried out autonomously without political influence. That said, SNGRDC does engage in quarterly informal business meetings with SNEC to keep them informed of progress, hear concerns, and answer any questions presented on behalf of their constituents. Refer to fig. 2, pg. 20 for an overview of SNGRDC governance structure, including the role maintained by SNEC.

SNGRDC Group, including all Management and staff recognize the importance of working harmoniously with SNEC and all community stakeholders; all parties recognize the need to align our efforts to ensure we are coordinated and focused on achieving the best possible outcome for the entire community.

2) GENERAL COMMENTARY

SNGRDC Group received a clean, 'unqualified' audit opinion for fiscal year 2017/18 and the calendar year ending December 31, 2017 of the Six Nations of the Grand River Economic Development Trust (EDT).

Since inception in 2016, SNGRDC Group is extremely pleased that the EDT has transparently distributed \$6,845,500 of direct investment among numerous community priorities. These investments in community needs and priorities are funded entirely by the development activities of SNGRDC and are an example of what can be achieved through the execution of a sound and robust strategic plan.

A) FINANCIAL & PERFORMANCE HIGHLIGHTS

The SNGRDC consolidated Gross Revenue for the current year was \$33,327,824 with direct expenses of \$28,001,292 resulting in Excess revenue over expenses of \$5,778,798.

It is important to note that the Excess Revenues over Expenses for 2017 included \$5,999,480 in anomalies (refer to Section 1D above, pg.4); once fully adjusted the consolidated earnings for 2017 are \$5,435,409. Therefore 2018 Excess Revenue of \$5,778,798 indicate an marginal growth rate of 6.3%.

i) Economic Interests

SNGRDC is now managing all Investments in Economic Interests (refer to CFS, Note 4 pg. 10) on behalf of the community.

The total asset value of these projects is \$44,266,181 which together produced SNGRDC revenues of \$5,218,651 (CFS, Note 4, pg. 11) in the current year. The sale of energy through power purchase agreements with Ontario accounts for 95.9% of economic interest revenue, these contracts are valid for 20 years from the commercial operation date of the project. All 3rd party financing associated with our investment in Economic Interest projects has been structured to ensure all debt will be fully retired before the expiry of power purchase agreements.

Our joint venture with Aecon Group (A6N Utilities) performed well during the year; early stage goals for the launch of A6N were: (1) establish a reputation for safety, (2) demonstrate A6N has the capability to execute, and (3) provide meaningful employment and training opportunity for community members. SNGRDC is pleased to report that during peak period A6N employed 50 community members engaged in a variety of construction, forestry and civil works. A6N has also established itself as a credible and professional joint venture capable of meeting all standards of construction while possessing a strong safety culture.

ii) Nation Enterprises

SNGRDC is pleased to report that Nations Enterprises generated a total of \$27,131,550 of combined revenue which represents a marginal growth rate of 10.9% versus 2016/17.

Six Nations Bingo, our largest Nation Enterprise, was responsible for generating 90% of our Nation Enterprise revenue; new Bingo gaming options were the key driver of marginal growth.

The single largest expense associated with Nation Enterprises was the payment of bingo prizes which accounted for 80% of the 'General, operating and administrative expenses'

(see CFS, pg. 2). The performance of Six Nations Bingo in the current year has triggered an additional payment to the Bingo Sponsor program (our Gaming Charity) in the amount of \$178,130 bringing the total contribution to Bingo sponsors to \$653,130. In addition to the Bingo Sponsor program, Six Nations Bingo also supported the Toy Bingo program which assisted 7 community schools in raising \$141,000.

The total funding received from Indigenous and North Affairs Canada (“INAC”) amounted to only 2.2% of Gross Revenue.

In the current year, SNGRDC began re-investing in Capital Projects within several Nation Enterprises. These investments include: completion of Gathering Place by the Grand, upgrades within Six Nations Bingo, new road side signage, and launch of Chiefswood Park redevelopment.

Pursuant to the 2015 Management Agreement, SNGRDC manages the following properties and Nation Enterprises located within the community – all of which were formerly under the management of SNEC:

- ✓ *Six Nations Bingo*
- ✓ *Gathering Place by the Grand*
- ✓ *Tourism building, Chiefswood National Historic Site and Mohawk Chapel*
- ✓ *Oneida Business Park*
- ✓ *Our Sustenance*
- ✓ *A6N Utilities*
- ✓ *Former School # 5 and #7 sites*
- ✓ *Three internet towers – Cayuga, Mohawk, and Pauline Johnson road*
- ✓ *Port Maitland and West Street*
- ✓ *Chiefswood Park – was added in 2017/18*

iii) Master Trust Income

The Master Trust received a total of \$1,414,389 of income which is attributed to Community Benefit Agreements that were negotiated on behalf of the Six Nations Community. Although not specifically itemized within the CFS, the Master Trust income includes a total of \$406,091 of lease payments received from the Province of Ontario in exchange for use of South Cayuga land(s) to house the Grand Renewable Energy Park. Please note the Master Trust is not the same as the Six Nations of the Grand River Economic Development Trust (EDT) (refer to Fig. 1 on Page 19).

iv) Post Secondary funding

Although not reflected on our CFS, Management has coordinated efforts with the Grand River Post-Secondary Education Office, Indspire, and independent developers to ensure negotiated post-secondary funding contributions flow to Indigenous Learners pursuing a career in the renewable energy industry, as per Community Benefit Agreements. In the current year, a total of \$74,000 flowed to Indigenous Learners.

B) DIRECT ECONOMIC IMPACT

SNGRDC Management has identified Direct Economic Impact (“DEI”) as a key performance indicator. The calculation takes into consideration the key financial drivers that generate direct economic impact within the community. In future years, DEI will become a key metric in assessing company wide performance.

The total DEI for the year ending 2018 is \$15.4M, which represents 13.84% growth. These figures are calculated as follows:

	2016/2017	2017/2018
Profit before distributions	5,410,809	5,778,798
Payroll – 80% factor*	6,018,469	7,759,561
Gaming Commission & Sponsor Program	909,031	659,131
Other tangible impacts**	54,000	74,000
Shareholder lease & debt retirement	1,214,987	1,219,484
TOTAL	\$13,607,296	\$15,490,974

* includes A6N Labour

**presents funding paid to Grand River Post-Secondary

C) HUMAN RESOURCES

Throughout the current year, SNGRDC had a staff compliment of 127 people (not including A6N staff), of which 53 are full-time and 74 are contract, part-time and/or seasonal workers. The largest number of part-time and contract staff are employed by Six Nations Bingo which is a Nation Enterprise that does not operate within normal office hours – thus part-time labour is a necessity. Approximately 85% of SNGRDC labour force are members from Six Nations or other First Nations; the HR division has identified this metric as a key area of focus as the company continues to expand.

i) Training

SNGRDC delivered a total of 1,344 training hours in the current year with training centering on Worker & Supervisor Health and Safety Awareness, Sexual Violence Training, Customer Service, Work Ethics, Lateral Violence, Workplace Violence and Harassment, First Aid & CPR, Food Handling and WHMIS.

ii) Compensation program

SNGRDC compensation program was implemented in October 2016 by the Board of Directors after engaging BDO Canada LLP to complete an independent Pay Structure and Compensation study. The salary grid identifies the minimum and maximum of all job classifications within SNGRDC, where the most senior positions are as follows:

Job Classification	Min	Max
CEO/President	\$145,000	\$210,000
Executives	\$95,000	\$135,000
Directors	\$80,000	\$112,000

Moving forward, SNGRDC will update the salary grid by increasing the maximum salary limit by the consumer price index; although this will not cause wholesale changes to individual compensation - the approach will ensure the compensation program remains competitive and accounts for inflation rates.

D) CORPORATE STRATEGY: AUTONOMY 150 BY 2025

SNGRDC management have identified a Wildly Important Goal (WIG) of generating an annual Direct Economic Impact (DEI) of \$150,000,000 by the year 2025.

AUTONOMY

The word 'autonomy' was chosen as a signal of the transformative power \$150M of Direct Economic Impact (DEI) could have on current and future generations. Essentially, this amount of financial resource could empower future leaders to manage our community affairs independently without influence from any external government(s).

Although very aggressive, the WIG was embraced as our corporate strategy as it operationalizes 'economic sovereignty' and creates a clear measurable target. SNGRDC leadership is now focused on organizational readiness and capabilities to equip the organization with the tools and systems needed to achieve our WIG.

The SNGRDC leadership team have identified three (3) core areas of focus:

i) Growth of Human Capital

Where SNGRDC directs investment to attract, retain and develop the best candidates to promote innovation and knowledge acquisition.

Tactics: Corporate culture, workplace best practices, competitive compensation, reward innovation

ii) Joint Ventures & Partnerships

Where SNGRDC initiates a campaign focused on attracting the best, most suitable business partners by leveraging our reputation, experience, and success; seek out partnerships and opportunities wherever they exist.

Tactics: Host business symposium with Corporate Canada, speaking engagements, networking

iii) Real Estate Investment & Property Development

Where SNGRDC deploys capital to acquire land whereupon vertical investment opportunity exists by leveraging available capacity and skill set(s).

Tactics: Acquisitions; seek to integrate investment to create multiplier effect and capitalize on synergies in the marketplace.

E) INTERNALLY RESTRICTED RESERVES

The Board of Directors and Management have established a restricted reserve of \$5,387,282 to ensure SNGRDC maintains a 1.4x debt service coverage ratio and retains funds needed to re-invest in projects approved through the SNGRDC Group's strategic planning framework (\$5,164,494). It is important to note that the Capital projects reserve includes allocations from previous fiscal years; this is the case as project planning and construction timelines extend beyond the fiscal reporting period. The allocation approved by the BOD and AC for the current year is \$2,564,494.

Refer to CFS, Note 12, pg. 14

	2018	2017
Capital reserve	\$ -	\$ 199,332
Future debt reduction and re-investment reserve:		
Debt service ratio	222,788	159,643
Capital projects reserve	5,164,494	6,200,000
	5,387,282	6,359,643

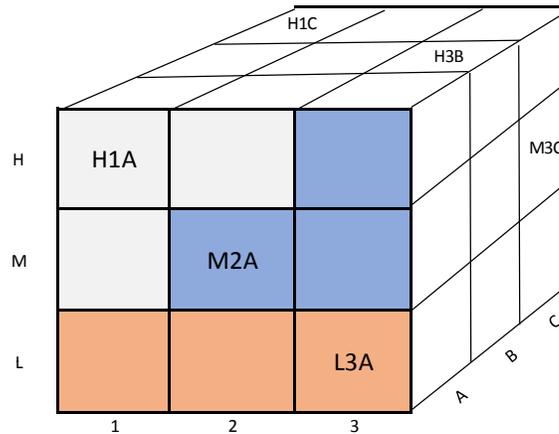
As of March 31, 2018, SNGRDC has re-invested approximately \$3,600,000 through our Projects division. These projects include, but are not limited to, the following investments:

Project Description	% Complete
Bingo LED Retrofit phase1	100%
Landscaping at OBP/Tourism	100%
Canoe/Kayak/Pedal Boats/Paddle Boarding	100%
Fair Market Value Assessment	100%
Bingo Lighting/AV Project	100%
Gathering Place on the Grand	95%
Bingo Surveillance System	90%
A6N Building Renovation - additional office space	80%
Oneida Business Park - Elevator installation	75%
Tourism & Gathering Place - Digital Signage	75%

F) STRATEGIC PLANNING FRAMEWORK – CAPITAL REINVESTMENT

As a community development corporation, SNGRDC is tasked with pursuing economic development and seizing prudent investment opportunities. To be effective in this objective, SNGRDC requires access to capital for re-investment purposes. All Capital Projects are approved through a strategic planning process that includes Management, the Board of Directors and the Advisory Committee.

The planning process begins in October with Management evaluating current year financial performance where expected results are relied on to inform future year budget needs. In parallel, Management gathers intelligence on emerging opportunities, market trends, community feedback, and stakeholder suggestions. This intelligence is then organized and presented at a strategic planning summit held each November. The planning summit seeks feedback and guidance from the Board of Directors and Advisory Committee to enable Management to identify strategic priorities and summarize barriers using a modified Boston Consulting matrix.



Priority ratings are then established for each project based on:

- Priority assessed by the Board and Advisory Committee (High, Medium or Low)
- Factors that influence project execution (1=no barriers vs. 3=significant barriers)
- Profit generating potential (A=High, B or C=Low)

Once coding is complete, Class D estimates are used to populate capital requirements which are further segmented into 3 tiers; tier 1 is then utilized to request a restricted reserve to fund approved Capital Projects for the next fiscal year budget. Using this logic, Management gathers the insight and intelligence needed to direct internal capacity toward those projects with the highest prioritization.

Our robust strategic planning process ensures that SNGRDC re-investment is well planned and carefully assessed against competing opportunities.

G) RISK MANAGEMENT

On a quarterly basis, the SNGRDC management team assesses operational risk at the divisional level. Operational risks are gathered, causes identified, response plans developed, and timeframes to address/manage are implemented. The top 3 risks for each division are then captured on a risk register and reported to the Board of Directors. The risk register was designed to ensure risks with High Probability and/or High Consequence are identified, reported, and proactively managed wherever possible.

As an ongoing best practice, Management conducts significant independent due diligence on investment decisions involving partners or activities requiring debt financing. Our standard practice is to negotiate capacity funding from potential partners to provide SNGRDC with financial resources needed to pay for independent legal advice and financial due diligence.

Currently, all holdings under our corporate umbrella are held in independent special purpose corporations - this is a strategy to insulate holdings from cross exposure to risk. As a result, SNGRDC controls several corporations under our corporate umbrella, which are disclosed on the CFS, Note 1, pg.5:

9374264 Canada Limited – Nanticoke Solar LP
9211560 Canada Limited – Gunn's Hill LP
7539223 Canada Limited – Grand Renewable Wind LP
8490341 Canada Limited – Grand Renewable Solar LP
9250492 Canada Limited – SN Solar Development LP
9710612 Canada Limited – FWRN LP
SN Solar Development LP
SNGR Trustee Services Inc.
SNGR Wind Project 1 Trustee Inc.
SNGR Community Benefits Trustee Inc.
SNGR Utilities Trustee Inc.
SNGR Solar Project 1 Trustee Inc.
Six Nations of the Grand River GP Inc.
SNGR Utilities LP

H) COMMUNITY ENGAGEMENT

SNGRDC remains committed to complying with Six Nations Elected Council's (SNEC's) Consultation and Accommodation Policy. In the event a development activity is deemed to require community consultation, our Management team secures SNEC approval to manage the engagement, and coordinates with the SNEC Consultation and Accommodation Process team ("CAP team") to ensure the consultation occurs in compliance with approved policy.

Within the SNGRDC Group, the Advisory Committee assesses community engagement requirements and directs the Board of Directors to gather and report community concerns. This approach ensures that any sensitive development activity does not occur without first being vetted by those outside of the Board of Directors.

Once Community Consultation concludes, the Advisory Committee will assess findings and develop a recommendation to seek the support of SNEC as outlined within the Consultation and Accommodation Policy.

Management has identified the need to continue to enhance the community engagement process. Efforts are underway to work with the CAP team to ensure all relevant information and related studies are presented to the community using the most transparent methods available. In support of this effort, SNGRDC expects to continue to share the internet platform www.snfuture.com to engage the Six Nations Community.

I) COMMUNITY PLAN

As a community development corporation, SNGRDC is responsible for maintaining and updating the 20-year Community Plan (CP). Although the Community Planning function is funded by SNGRDC, the process of gathering, assembling and reporting is autonomous from SNGRDC management as the final content is managed by the Advisory Committee (on behalf of the community).

As of March 31, 2018, a short-term progress update to the CP was completed (Phase 1). The goal of this update was to provide a progress report of the existing Community Plan (2010) and build healthy working relationships with various community stakeholders. Phase 1 activities included:

- *Bringing existing plan up to speed with projects and programs, integrating data from past community plan updates;*
- *Reaching out to departments and organizations to coordinate meetings to provide status on projects and programs;*
- *Exploring different format/structure options for a workable interim Community Plan; and*
- *Encouraging Community-wide use of the Community Plan.*

The Phase 1 update is available online: <http://sndevcorp.ca/wp-content/uploads/2018/05/Six-Nations-Community-Plan-2018-Progress-Update-v2.pdf>

Efforts to enhance the CP are expected to continue well into the future as it is a key document that is relied upon by the Six Nations of the Grand River Economic Development Trust (EDT) and various community departments and organizations to identify the long-term funding needs and priorities for the community. Our approach is to treat the CP as a dynamic tool that is updated every year to reflect emergent trends and capture needs of the collective Six Nations community as they arise in the future.

3. ECONOMIC INTEREST STATUS REPORT

A) SCORECARD

The following scorecard has been developed to provide a snapshot of performance for each economic interest asset that is held by SNGRGC. The stop light pattern below signals any areas of concern.

Asset	Investment	COD	L/T Debt	Distribution \$	Performance
Grand Renewable Wind 7539223 Cdn Ltd	\$6,799,000 10% equity	Dec 2014	\$4,696,280	\$1,879,000	No concerns
Grand Renewable Solar 8490341 Cdn Ltd	\$2,874,160 10% equity	March 2015	\$0	\$2,302,684	No concerns
Gunn's Hill Wind Farm 9211560 Cdn Ltd.	\$1,835,625 10% equity	Nov 2016	\$0	\$348,125	No concerns
Niagara Region Wind (FWRN) 9710612 Cdn Ltd	\$31,379,235 50% equity	Nov 2016	\$31,379,235	\$1M advance (from credit facility)	Note 1
A6N Grand River Utilities LP	\$379,000 51% control	April 2015	\$0	\$210,630 in profit (no distribution)	No concerns
SN Solar Developments – JV OBP	\$1,825,625 90% ownership	Sept 2015	\$639,331	\$231,766	No concerns
SN Solar Developments – JV BGI	\$146,250 10% ownership	March 2015	\$0	\$9,870	No concerns
Nanticoke Solar	\$240,000 10%	N/A	\$240,000 (conditional)	Nil	Note 2

Note 1. Niagara Region Wind Farm (FWRN LP) encountered operational issues which impacted financial performance - these factors are detailed in Section 1E of this report (pg.7). SNGRDC has been assured by the General Partner that all matters have been corrected and SNGRDC management is actively monitoring performance to ensure this is the case.

Note 2: Nanticoke Solar LP was recently 're-opened' by the project sponsor (Ontario Power Generation) to allow another First Nation access to the project, the additional equity did not disrupt progress. The project is currently preparing for construction which includes archeology and site preparation which creates heightened risk to scheduling and project costing. Management is monitoring these activities closely.

Niagara Reinforcement Line

SNGRDC has entered into, or intends to enter, binding agreements with Hydro One and the Province of Ontario to complete the Niagara Reinforcement Line (“NRL”) through a 3-phased approach to energize, acquire and optimize the transmission asset. This project underwent community engagement between October 16 and December 15, 2017 - a process that included 10 community engagement sessions and the decision to proceed was ratified by Six Nations Elected Council (SNEC) on February 20, 2018. All details are available online: <http://www.sfuture.com/project.php?id=19>

The energize phase will be completed by A6N utilities by way of a construction agreement with Hydro One to complete the line installation enabling it to be energized. The acquire phase will occur through a Limited Partnership arrangement with Hydro One, or an affiliate, where SNGRDC will acquire 25% ownership in the newly constructed line. In support of the acquisition phase, Six Nations Elected Council committed \$12.5M from their gaming agreement to fund the investment. The optimization phase will occur through a set-aside arrangement whereby SNGRDC will be granted a capacity set-aside of up to 300 mega-watts valid until 2033.

Management estimates the total long-term economic impact of the NRL project to be not less than \$62M for the Six Nations Community. Once the project is completed, SNGRDC will report financial performance of the NRL investment in our Economic Interest Scorecard.

Nanticoke Solar Limited Partnership

Nanticoke Solar LP is a 44 mega-watt solar farm planned to be constructed on the former Nanticoke Coal Generating Site in the Nanticoke area. SNGRDC has negotiated a 10% equity ownership stake in the project and SNGRDC has entered into, or intends to enter into, further amended agreements to acquire an additional 5% equity stake prior to commercial operation of the project.

Management is in the process of exploring financing alternatives to lower the cost of capital below that of the existing equity financing facility to SNGRDC by Ontario Power Generation (OPG). Further information is available online: <http://nanticoquesolar.com/>. Commercial operation is targeted for March 2019; the project will enjoy a minimum project life of 20-years based on the existing power purchase agreement.

FIGURE 1 – CORPORATE ARCHITECTURE WITH CASH DISTRIBUTIONS

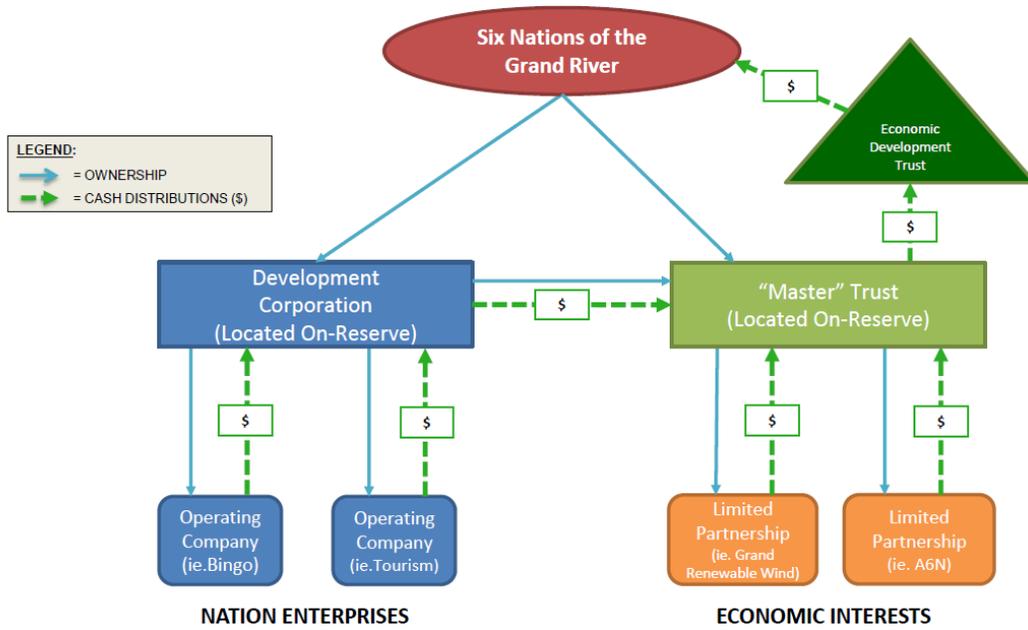
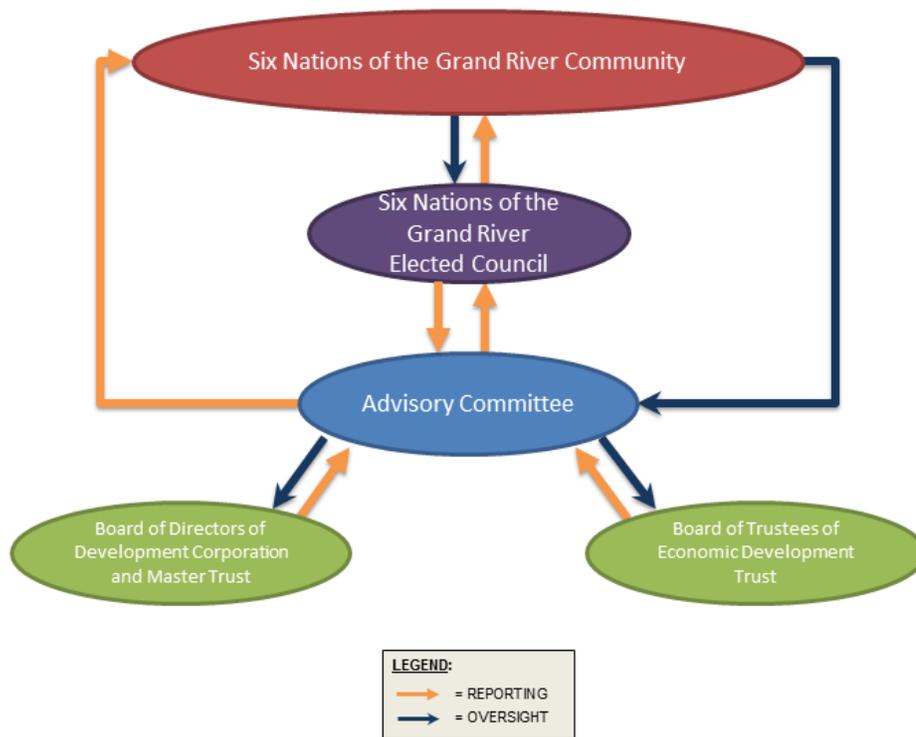


FIGURE 2 – GOVERNANCE OVERVIEW



Advisory Committee- ROLES AND RESPONSIBILITIES (Oversight Committee)

- *Protect the interests of the Six Nations Community by ensuring the pursuit of economic development opportunities is undertaken in a socially responsible manner.*
- *Oversee the Board of Directors and the Economic Development Trust.*
- *Vet, select and appoint the Directors of the Corporation and the Trustees of the Economic Development Trust.*
- *Determine annual revenue distribution (how much will be transferred to the Economic Development Trust for community distribution and how much will be used by the Board of Directors to be reinvested into future projects)*

Board of Directors- ROLES AND RESPONSIBILITIES (Generate Revenue)

- *Ensure that all businesses operate within the guidelines set out in the Statement of Economic Development Principles and the Statement of Community Needs and Priorities established by the Advisory Committee.*
- *Supervise the management of SNGRDC investments and assets.*
- *Report and be accountable to the Advisory Committee on SNGRDC’s investments, annual business plans and the results of all operations*
- *Approve the annual business plan and budgets for SNGRDC and all associated entities.*

Board of Trustees-ROLES AND RESPONSIBILITIES (Invest Profits into Community)

- Receive, review and score all completed Economic Development Trust (EDT) applications
- Determine the EDT guidelines for community distribution
- Determine how EDT funds will be reinvested into the community in accordance with the [Statement of Community Needs and Priorities](#) and the [Statement of Economic Development Trust Distribution Guidelines](#) established by the Advisory Committee

Six Nations Elected Council-ROLES AND RESPONSIBILITIES (Sole Shareholder)

- Ex Officio seat on the Advisory Committee
- Sole shareholder of SNGRDC (Coordinate through Shareholder Rep- Senior Administrative Officer)
- Authorize changes to corporate by-law, charters, principles and Group Appointments
- Landlords for On-Reserve Buildings (i.e. Bingo Hall, Tourism, Oneida Business Park)